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MAR 02 2005

PUBLIC SERVICE  
COMMISSION

**VIA OVERNIGHT MAIL**

March 1, 2005

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

Case 2005-00094

Re: Application for CPCN

Dear Ms. O'Donnell:

Enclosed please find an original and twelve (12) copies of The Union Light, Heat and Power Company's Application for Certificate of Public Convenience and Necessity. The filing includes an original and three copies of the maps due to its voluminous nature. Please date-stamp the extra two copies of the application and return to me in the envelope provided.

Should you have any further questions, please do not hesitate to call me.

Very truly yours,

Anita M. Schafer  
Paralegal

AMS/sew

Enclosures

RECEIVED  
MAR 02 2005  
PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT )  
AND POWER COMPANY FOR A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECESSITY )  
TO CONSTRUCT GAS DISTRIBUTION FACILITIES ) CASE NO. 2005-00094  
WITHIN ITS SERVICE TERRITORY )

\* \* \* \* \*

APPLICATION

Pursuant to KRS 278.020, 807 KAR 5:001, Sections 8 and 9, and the Commission's Order dated January 31, 2002 in *In the Matter of Adjustment of Gas Rates of The Union Light, Heat and Power Company*, Case No. 2001-00092, The Union Light, Heat and Power Company (ULH&P) respectfully states as follows:

1. ULH&P is a Kentucky corporation with its principal office and principal place of business at 1697A Monmouth Street, Newport Shopping Center, Newport, Kentucky 41071. Its mailing address is P.O. Box 960, Cincinnati, Ohio 45201.

2. ULH&P is a utility engaged in the gas and electric business. ULH&P purchases, sells, stores and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. ULH&P also purchases electricity, which it distributes and sells in Boone, Campbell, Grant, Kenton and Pendleton counties.

3. Pursuant to 807 KAR 5:001, Section 8(3), ULH&P states that a certified copy of its Articles of Incorporation, as amended, is on file with the Commission in Case No. 2005-00042.

4. In Case No. 2001-00092, ULH&P sought Commission approval of a base rate increase for its gas operations, including approval of Rider AMRP. Under ULH&P's proposal, Rider AMRP provided for an annual adjustment to rates over a ten-year period, to allow ULH&P to recover the costs of replacing its cast iron and bare steel mains on an accelerated basis, including the cost of recovering customer-owned service lines connected to such mains.

5. In an Order dated January 31, 2002 in Case No. 2001-00092, the Commission approved Rider AMRP, subject to certain modifications, for an initial period of three years. The Commission's Order required ULH&P to file an application for a certificate of public convenience and necessity (CPCN) for the mains that ULH&P would replace under the program. The purpose of this application is to comply with the Commission's Order. ULH&P previously filed an application for a CPCN for the 2002, 2003 and 2004 Rider AMRP construction work in Case No. 2002-00089, Case No. 2002-00407, and Case No. 2004-00017, respectively.

6. Pursuant to 807 KAR 5:001, Section 9(2)(a), ULH&P states that the proposed construction is or will be required by public convenience and necessity because cast iron and bare steel mains comprise approximately 9% of ULH&P's natural gas distribution system, and such mains are subject to leaks at a greater rate than coated steel or polyethylene, leading to higher operating and maintenance expenses, greater line losses and safety and reliability risks. Further information to support the fact that the proposed construction is or will be required by public convenience and necessity is contained in the following filings by ULH&P on May 4, 2001 in Case No. 2001-00092: Direct Testimony of Leonard C. Randolph, Jr.; Direct Testimony of Sevket Torpis; and the April, 2001 Independent Review of Cast Iron and Bare Steel Pipe Replacement Program Report prepared by Stone & Webster Consultants, as well as the

Commission's Order dated January 31, 2002 in such case, all of which are incorporated by reference herein.

7. Pursuant to 807 KAR 5:001, Section 9(2)(b), ULH&P states that the construction work involves the replacement of existing cast iron and bare steel facilities, including mains, main-to-curb services and curb-to-meter services, and that ULH&P has previously filed with the Commission the applicable franchises from the proper public authorities.

8. Pursuant to 807 KAR 5:001, Section 9(2)(c), ULH&P states that the construction work will occur at various locations throughout ULH&P's distribution system. ULH&P has divided the work into modules. A module consists of two to five miles of cast iron and bare steel mains located within a particular community. The location for the construction work within the modules is indicated on the construction maps filed herein. The modules are rank-ordered according to various factors, including safety and reliability considerations, to determine the priority under which the construction work contained within each module should be performed. In addition to module work, ULH&P will continue to perform 2005 Cast Iron Maintenance Optimization System® (CIMOS) and Bare Steel Maintenance Optimization System® (BSMOS) programs, street improvement projects and any emergency replacements that may arise in 2005.

ULH&P will use contractors and employees to perform and supervise the work. ULH&P will utilize conventional excavation and main construction techniques and, to the extent possible, directional drilling techniques. ULH&P will follow and will require its contractors to follow ULH&P's manual of construction practices on file with the Commission.

9. In the Commission's Order dated October 7, 2002 *In the Matter of the Application of The Union Light, Heat and Power Company for a Certificate of Public Convenience and*

*Necessity to Construct Gas Distribution Facilities within its Service Territory and for a Deviation from Administrative Regulation 807 KAR 5:022, Section 9(17)*, Case No. 2002-00089, the Commission authorized ULH&P to deviate from the Commission's August 29, 2002 Order granting a certificate for public convenience and necessity, to the extent that ULH&P incurred additional costs for metallic main and services replacement work, not to exceed by 20% the amount authorized by the Commission's August 29, 2002 Order. The Commission issued a similar Order on May 3, 2004 in Case No. 2004-00017.

10. In the instant application, ULH&P requests authorization to incur construction costs in the amount of \$11,200,000 for module work, CIMOS and BSMOS work and street improvement work during 2005. The projects are as described in Exhibit A. In addition, consistent with the Commission's previous orders in ULH&P's CPCN cases for its Rider AMRP increases, ULH&P requests a deviation, to the extent that actual construction costs exceed the projected cost of \$11,200,000, in an amount up to 20% of the projected cost.

11. Pursuant to 807 KAR 5:001, Section 9(2)(d), ULH&P states that it will make a supplemental filing with maps showing the location or route of the construction. ULH&P requests permission to provide only three sets of these maps due to the voluminous number of maps, rather than the standard filing requirement of ten sets. To ULH&P's knowledge, no other like facilities owned by others are located anywhere within the map area.

12. Pursuant to 807 KAR 5:001, Section 9(2)(e), ULH&P states that it proposes to finance the construction through continuing operations, including revenues to be derived from Rider AMRP and debt instruments as necessary.

13. Pursuant to 807 KAR 5:001, Section 9(2)(f), ULH&P states that the estimated cost

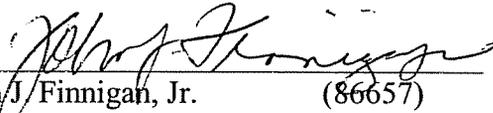
of construction of the proposed facilities, including the cost of replacing metallic service lines connected to cast iron and bare steel mains, for the 2005 construction program is \$11,200,000.

14. ULH&P filed an application, notice and statement with the Commission on or about February 25, 2005 for a general gas rate increase. The Commission assigned this matter as Case No. 2005-00042. In this case, ULH&P has requested the Commission's to re-approve Rider AMRP.

WHEREFORE, ULH&P respectfully requests that the Commission issue a Certificate of Public Convenience and Necessity pursuant to KRS 278.020(1) for the above-described construction as requested herein.

Respectfully submitted,

THE UNION LIGHT, HEAT AND POWER  
COMPANY

  
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**The Union Light, Heat and Power Company**  
**Estimate of 2005 Construction Expenditures**  
**Associated with AMRP**

	<u>Estimated Costs (1)</u>	<u>Estimated Footages</u>
<b><u>Module Jobs</u></b>		
Module 303 (2) (5)	592,960	7,480
Module 306 (3)	1,507,227	15,675
Module 307 (2)	4,384,738	43,912
Module 313 (2)	763,350	8,016
Module 314 (3)	565,895	6,480
Module 341 (3)	190,279	2,345
Lawton Rd (2)	255,683	2,675
Dixie Hwy (Steel) (2)	577,013	3,386
Dixie Hwy (Steel) (2)	<u>758,137</u>	6,147
	9,595,282	
<b><u>CIMOS Jobs</u></b>		
Holmes (2) (5)	73,583	640
Hinde (2) (5)	120,651	960
Grant (2) (5)	<u>180,688</u>	995
	374,922	
<b><u>Street Improvement Jobs</u></b>		
Projected (4)	<u>229,796</u>	
2004 Carry-over	<u>1,000,000</u>	
Total Estimate for 2005	<u><u>11,200,000</u></u>	

## Notes:

- (1) Includes contractor labor, materials, company labor, other and loadings.
- (2) Contracts have been awarded.
- (3) These jobs have been sent to contractors for bid.
- (4) These jobs will be sent to contractors for bid.
- (5) Construction drawings for these projects were provided with the 2004 Annual Filing and First Quarter 2004 Update Filing.